

Message Text

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ACTION EA-12

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INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
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SUBJECT: FOREIGN TECHNOLOGY BOOSTS CHINA'S 1977 CHEMICAL FERTILIZER
PRODUCTION TO ALL-TIME RECORD

REF: HONG KONG 12826

SUMMARY: IN A DECEMBER 11 NCNA REPORT, THE HUA ADMINISTRATION
POINTED TO IMPRESSIVE GROWTH RATES THIS YEAR IN THE
CHEMICAL FERTILIZER INDUSTRY TO SUPPORT ITS POLICY ON IMPORTS OF
FOREIGN TECHNOLOGY. AS OF DECEMBER 10, CHEMICAL FERTILIZER
OUTPUT WAS UP 31.9 PERCENT OVER THE SAME PERIOD IN 1975, THE
HIGHEST PREVIOUS OUTPUT LEVEL ACHIEVED BY THE INDUSTRY.
OUTPUT SO FAR THIS YEAR IS ESTIMATED AT 35 MILLION METRIC
TONS COMPARED TO 28 MILLION METRIC TONS FOR ALL OF 1975.
THE CHINESE FOR THE FIRST TIME ATTRIBUTED THE INCREASE
TO THE START-UP OF SIX LARGE IMPORTED PLANTS. ALTHOUGH
THE REPORT DOES NOT MENTION THE COUNTRIES OF ORIGIN, AT LEAST FIVE
OF THESE PLANTS WERE CONSTRUCTED BY THE US FIRM KELLOGG.

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ONE POTENTIAL TROUBLESPOT WAS REVEALED BY THE
NEW STATISTICS, WHICH INDICATE THAT THE GAP IS GROWING
WIDER BETWEEN THE OUTPUT OF NITROGENOUS FERTILIZER AND
PHOSPHATE FERTILIZER, BOTH OF WHICH ARE REQUIRED FOR
A PROPER MIX OF FERTILIZER NUTRIENTS. END SUMMARY.

1. NCNA PEKING DECEMBER 11 REPORTED THAT CHINA'S

CHEMICAL FERTILIZER INDUSTRY FULFILLED ITS ANNUAL PRODUCTION TARGETS TWENTY-ONE-DAYS AHEAD OF SCHEDULE. AS OF DECEMBER 10, TOTAL OUTPUT WAS 31.9 PERCENT ABOVE THE SAME PERIOD IN 1975 (PRESUMABLY THE FIGURES ARE MEASURED IN BULK WEIGHT, NOT NUTRIENTS). DURING JANUARY-NOVEMBER 1977, OUTPUT OF SYNTHETIC AMMONIA INCREASED 38.3 PERCENT, OTHER NITROGENOUS FERTILIZER 42.7 PERCENT, AND PHOSPHATE FERTILIZER 18.1 PERCENT OVER THE SAME PERIOD IN 1976. THE QUARTERLY INDEX OF AVERAGE DAILY OUTPUT WAS AS FOLLOWS:

FIRST QUARTER (1977) - 100
SECOND QUARTER - 160
THIRD QUARTER - 160
FOURTH QUARTER - ABOVE 170

2. EIGHT PROVINCES (SHANTUNG, SZECHWAN, HOPEI, HONAN, HUPEH, KWEICHOW, HUNAN AND SHANSI) FULFILLED ANNUAL PLAN TARGETS 34-72 DAYS AHEAD OF SCHEDULE. MORE THAN 30 PERCENT OF THE INCREASE IN NATIONAL OUTPUT CAME FROM PLANTS IN SHANTUNG, HOPEI AND HONAN PROVINCES.

3. THE NCNA REPORT, FOR THE FIRST TIME, OFFICIALLY ATTRIBUTED THIS YEAR'S RISE IN OUTPUT TO THE START-UP OF SIX LARGE, IMPORTED NITROGENOUS FERTILIZER PLANTS. NCNA SAID THE SIX LARGE PLANTS, WHICH "WERE IMPORTED LIMITED OFFICIAL USE

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WITH THE PERMISSION OF CHAIRMAN MAO ANJFPGCER CHOU AND OTHER LEADING CENTRAL GOVERNMENT CADRE . . . HAVE PLAYED A ROLE IN THE DEVELOPMENT OF THE CHEMICAL FERTILIZER INDUSTRY IN OUR COUNTRY THIS YEAR." IT IDENTIFIED THE SIX IMPORTED PLANTS AS THE TACHING CHEMICAL FERTILIZER PLANT (HEILUNGKIANG PROVINCE), THE SZECHWAN PETROCHEMICAL PLANT, THE LUCHOU NATURAL GAS PETROCHEMICAL PLANT (SZECHWAN PROVINCE), THE LIAOHO CHEMICAL FERTILIZER PLANT (LIAONING PROVINCE), THE TSANGCHOU CHEMICAL FERTILIZER PLANT (HOPEI PROVINCE), AND THE SECOND CHEMICAL FERTILIZER PLANT OF THE SHENLI PETROCHEMICAL PLANT (SHANTUNG PROVINCE). KELLOGG BUILT ALL OF THE PLANTS, EXCEPT THE PLANT AT SHENGLI.

4. COMMENT: FROM THE DATA IN THE NCNA REPORT IT CAN BE DEDUCED THAT 1977 CHEMICAL FERTILIZER OUTPUT REACHED 35 MILLION METRIC TONS BY DECEMBER 10, A SUBSTANTIAL INCREASE FROM THE 28 MILLION METRIC TONS PRODUCED DURING ALL OF 1975, THE PREVIOUS RECORD YEAR. THE OPTIMUM NUTRIENT MIX FOR FERTILIZER IS 100 PARTS NITROGEN, 50 PARTS PHOSPHOROUS AND 33 PARTS POTASSIUM. THE DATA INDICATED AN INCREASINGLY SERIOUS BOTTLENECK IN

CHINA'S CHEMICAL FERTILIZER INDUSTRY, SINCE THE 18.1
PERCENT GROWTH RATE FOR PHOSPHATE OUTPUT LAGGED FAR
BEHIND THE 42.7 PERCENT RISE IN NITROGENOUS FERTILIZER
PRODUCTION.
SHOESMITH

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